

January 2005



North Dakota REV-E-NEWS

**From Pam Sharp, Director
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December revenue collections exceeded the legislative forecast by \$1.7 million. In addition, \$3.8 million from oil tax collections has been reserved for transfer to the permanent oil tax trust fund. December revenue col-

The economy's prospects for 2005 appear solid, according to *Economy.com*.

lections were within \$44,000 of the revised forecast prepared in November. As of the end of December, biennium-to-date revenue collections were \$60.9 million ahead of the legislative forecast, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited into the general fund.

The economy's prospects for 2005 appear solid, according to *Economy.com*. Businesses will be looking to more aggressively use their cash positions to further increase investment and hiring, which will drive growth in 2005. The Federal Reserve is engaged in a series of tightening moves it began last summer. The moves are designed to ensure that the economy's growth slows to near its potential, estimated to be just over 3.0 percent.

North Dakota's unemployment rate in November was tied for the lowest in the United States. North Dakota's non-seasonally adjusted unemployment rate was 3.0 percent in November. The national seasonally adjusted November unemployment rate was 5.4 percent.

Ten North Dakota counties had November unemployment rates below 2.0 percent. Of the state's 53 counties, 23 recorded October unemployment rates below 3.0 percent.

CAFR

North Dakota's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004 will be completed early in the week of January 24.

The CAFR is the only report showing a comprehensive view of the state's financial picture. Copies of the CAFR will be available the first week of February through the Office of Management and Budget and may also be viewed on the Internet at <http://www.state.nd.us/fiscal>.

Oil Activity

Oil production in North Dakota averaged approximately 91,179 barrels per day during November, up considerably from October's production average of 88,908 barrels per day. Currently, 17 oil rigs are drilling in North Dakota compared to 13 rigs one year ago.

The current price of oil in North Dakota is approximately \$42 per barrel.



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
December 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	24,688,000	23,217,417	(1,470,583)	-6.0%	499,133,000	525,875,065	26,742,065	5.4%
Motor Vehicle Excise Tax	4,932,000	4,717,456	(214,544)	-4.4%	95,026,000	96,736,658	1,710,658	1.8%
Individual Income Tax	4,480,000	6,202,224	1,722,224	38.4%	298,855,000	305,699,488	6,844,488	2.3%
Corporate Income Tax	5,047,000	7,870,881	2,823,881	56.0%	54,993,000	57,814,126	2,821,126	5.1%
Insurance Premium Tax	2,200,000	401,276	(1,798,724)	-81.8%	37,062,000	39,247,068	2,185,068	5.9%
Financial Insitutions Tax	-	(1,475)	(1,475)	100.0%	2,600,000	2,014,247	(585,753)	-22.5%
Oil & Gas Production Tax*	1,755,000	2,391,602	636,602	36.3%	32,869,000	45,534,044	12,665,044	38.5%
Gaming Tax	350,000	42,483	(307,517)	-87.9%	17,478,000	15,750,489	(1,727,511)	-9.9%
Lottery	-	1,434	1,434	100.0%	280,000	1,432,434	1,152,434	411.6%
Interest Income	446,000	310,736	(135,264)	-30.3%	8,328,000	3,557,143	(4,770,857)	-57.3%
Oil Extraction Tax*	1,185,000	1,185,000	-	0.0%	22,252,000	25,465,956	3,213,956	14.4%
Cigarette & Tobacco Tax	1,485,000	1,679,326	194,326	13.1%	28,192,000	30,011,661	1,819,661	6.5%
Departmental Collections	1,512,500	1,583,499	70,999	4.7%	39,984,109	45,689,884	5,705,775	14.3%
Wholesale Liquor Tax	496,000	491,215	(4,785)	-1.0%	8,834,000	9,012,450	178,450	2.0%
Coal Conversion Tax	2,046,000	2,103,561	57,561	2.8%	35,763,000	36,037,158	274,158	0.8%
Mineral Leasing Fees	(150,000)	(41,913)	108,087	-72.1%	3,315,000	5,573,995	2,258,995	68.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,047,150	1,047,150		0.0%
Other Transfers	26,258,969	26,254,670	(4,299)	0.0%	62,668,969	63,126,644	457,675	0.7%
Total	76,731,469	78,409,393	1,677,924	2.2%	1,278,680,228	1,339,625,659	60,945,431	4.8%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	76,731,469	78,409,393	1,677,924	2.2%	1,278,680,228	1,396,082,240	117,402,012	9.2%

* Oil and gas production and oil extraction tax collections totaled \$7,393,578 in December, which caused biennium-to-date collections to exceed \$71 million. Of the amount collected in December, \$3,816,976 million has been reserved for transfer to the permanent oil tax trust fund.

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
December 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	December <u>2002</u>	December <u>2004</u>	<u>Variance</u>	<u>Percent</u>	<u>2001-03</u>	<u>2003-05</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	24,896,197	23,217,417	(1,678,780)	-6.7%	479,779,023	525,875,065	46,096,042	9.6%
Motor Vehicle Excise Tax	4,310,964	4,717,456	406,492	9.4%	90,218,281	96,736,658	6,518,377	7.2%
Individual Income Tax	4,462,992	6,202,224	1,739,232	39.0%	275,978,971	305,699,488	29,720,517	10.8%
Corporate Income Tax	4,240,522	7,870,881	3,630,359	85.6%	53,287,723	57,814,126	4,526,403	8.5%
Insurance Premium Tax	1,305,924	401,276	(904,648)	-69.3%	31,918,143	39,247,068	7,328,925	23.0%
Financial Institutions Tax	55,836	(1,475)	(57,311)	-102.6%	2,755,448	2,014,247	(741,201)	-26.9%
Oil & Gas Production Tax	1,931,418	2,391,602	460,184	23.8%	30,619,065	45,534,044	14,914,979	48.7%
Gaming Tax	367,388	42,483	(324,905)	-88.4%	20,384,898	15,750,489	(4,634,409)	-22.7%
Lottery		1,434	1,434	100.0%		1,432,434	1,432,434	100.0%
Interest Income	92,557	310,736	218,180	235.7%	6,493,033	3,557,143	(2,935,890)	-45.2%
Oil Extraction Tax	1,079,788	1,185,000	105,212	9.7%	16,942,931	25,465,956	8,523,025	50.3%
Cigarette & Tobacco Tax	1,588,885	1,679,326	90,442	5.7%	30,421,682	30,011,661	(410,021)	-1.3%
Departmental Collections	1,295,935	1,583,499	287,565	22.2%	45,072,172	45,689,884	617,712	1.4%
Wholesale Liquor Tax	418,960	491,215	72,255	17.2%	8,403,658	9,012,450	608,792	7.2%
Coal Conversion Tax	2,065,660	2,103,561	37,901	1.8%	35,388,926	36,037,158	648,232	1.8%
Mineral Leasing Fees	(43,858)	(41,913)	1,945	-4.4%	4,760,076	5,573,995	813,919	17.1%
Bank of North Dakota-Transfer	15,000,000				45,000,000	30,000,000	(15,000,000)	-33.3%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,022,544	1,047,150	24,606	2.4%
Other Transfers	1	26,254,670	26,254,669	100.0%	84,440	63,126,644	63,042,204	100.0%
Total	63,069,169	78,409,393	15,340,224	24.3%	1,178,531,012	1,339,625,659	161,094,647	13.7%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	63,069,169	78,409,393	15,340,224	24.3%	1,178,531,012	1,396,082,240	217,551,228	18.5%

* Oil and gas production and oil extraction tax collections totaled \$7,393,578 in December, which caused biennium-to-date collections to exceed \$71 million. Of the amount collected in December, \$3,816,976 million has been reserved for transfer to the permanent oil tax trust fund.

Revenue Variances

The following comments on revenue variances are based on December revenue collections compared to the 2003 legislative forecast.

December revenue collections exceeded the legislative revenue forecast by \$1.7 million or 2.2 percent. In addition, \$3.8 million has been reserved for transfer to the permanent oil tax trust fund.

Compared to the executive revenue forecast recently completed, December revenue collections fell below the monthly projection by \$44,307. Biennium-to-date collections are tracking ahead of projections.

Sales tax collections in December fell below projections by \$1.5 million or 6 percent. This shortfall appears to be due to timing. Sales tax collections in the first few days of January were about twice the amount collected for the same days one year ago, which indicates timing as the reason.

Individual income tax collections exceeded projections in December by \$1.7 million or 38.4 percent. Biennium-to-date collections are \$6.8 million or 2.3 percent ahead of biennium-to-date projections.

Corporate income tax collections exceeded projections by \$2.8 million, which brings the biennium-to-date collections to \$2.8 million or 5.1 percent ahead of projections.

A transfer was made in the amount of \$26.3 million from the student loan trust fund to general fund, fulfilling the statutory requirement that this transfer be made during the 2003-05 biennium.

Oil tax collections reach \$71 million cap

During the month of December 2004, oil and gas production tax and oil extraction tax collections combined totaled \$7.4 million. As a result of the December collections, total oil tax collections for the biennium have now exceeded the \$71 million statutory cap. According to North Dakota Century Code, any collections exceeding \$71 million must be transferred to the permanent oil tax trust fund at the end of the biennium. As a result, this report reflects collections only up to the \$71 million cap. The excess of \$3.8 million has been reserved for transfer into the permanent oil tax trust fund at the end of the biennium.

Comments or Questions???

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